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TAGS: [PGOV](#) [PREL](#) [GB](#) [EK](#)  
SUBJECT: STP PRESIDENT TURNING TO EG

REF: LIBREVILLE 0138

Classified By: Ambassador Barrie Walkley for reasons 1.4 b and d

¶1. (C) Sao Tome and Principe (STP) is one of the world's poorest countries, with over sixty per cent of the budget coming from foreign assistance. During the six years he has been in office, Fradique de Menezes (STP's president) has relied on off-budget or "backdoor" funding from Taiwan and Nigeria whenever he has been faced with acute financial needs. Having perhaps reached his limit with Taiwan and with Obasanjo now out of the picture in Nigeria, de Menezes has been seeking new sources of assistance/revenue and has discovered Obiang Nguema of Equatorial Guinea.

¶2. (C) During a recent conversation with Ambassador Walkley, de Menezes said that for several years he has been urging Obiang to use Equatorial Guinea's substantial oil revenues for the benefit of neighboring African countries, particularly poor countries such as STP. De Menezes has been seizing every opportunity to ingratiate himself with Obiang. A year or so ago, he was the only head of state to accept Obiang's invitation to visit Anabon Island (according to de Menezes, while he and Obiang sat around waiting to see if any others would show up, Obiang said: "Fradique, you are the only friend I have in the region"). De Menezes also spent four days recently touring Equatorial Guinea with Obiang.

¶3. (C) This attention is apparently starting to pay off. During his visit to Principe (for "Principe Autonomy Day"), De Menezes announced that Equatorial Guinea will be financing and building a "logistics port" on the southern tip of Principe and also will be building a new 2,500 meter runway at the Principe airport. There are as yet no figures on the costs involved, but a de Menezes advisor told Ambassador Walkley that the port will cost at least 200 million dollars and the airport runway more than 20 million dollars. The purpose of the logistics port (which will be at the opposite end of the island from Santo Antonio, Principe's only town) will be to service and supply the oil platforms in the Gulf of Guinea. Obras (the Equatorial Guinean construction company financed by Obiang and directed by his son, Gabriel Nguema Lima) will build the projects on a "build/operate/transfer" basis with 25 year rights. FYI: The port on Principe is a separate project from the deepwater port on Sao Tome, subject of a 2005 USTDA-financed

feasibility study.

¶4. (C) On Sao Tome, Obras is resurfacing the island's main highway (which was in terrible condition) from the town of Sao Tome to Porto Alegre on the southern tip (approximately 90 kms). The work is being done on a rush basis (to be finished in time for STP's July 12 independence day celebrations, which this year are to take place in Porto Alegre). According to de Menezes, this work is "a gift" from Gabriel Nguema.

¶5. (C) COMMENT: Ambassador Walkley advised de Menezes to be extremely careful in dealing with Obiang and with Gabriel Nguema, to ensure that there is total transparency, and to have the contracts examined by international experts. De Menezes said that at the moment there are no contracts, only "concept papers" which will lead to technical and financial feasibility studies "by the end of the year." There are already complaints about a lack of transparency in STP/EG relations: the two countries signed a mutual defense agreement last year which has never been made available to STP's parliament, despite continued requests.

WALKLEY